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Department of State **TELEGRAM**

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DEPARTMENT OF STATE A/CDC/MR
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E.O. 12065: N/A

TAGS: TECH, ENRG, XMB, KS

SUBJECT: NUCLEAR POWER PLANTS 7 AND 8

REF: SEOUL 1265 -40-821

1. EXIM CONTACTED HERMESKREDIT, HAMBURG, GERMANY'S OFFICIAL EXPORT CREDIT INSURANCE AGENCY RE PARA 2 OF REFTEL. ECGD OF U.K. ALSO FOUND OUT ABOUT KWU'S OFFER
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AND CONTACTED HERMES ON THE SUBJECT PROJECT. THE FOLLOWING IS HERMES FEBRUARY 6 TELEX TO EXIM AND ECGD.

"WE WISH TO REFER TO YOUR TELEPHONIC INQUIRY WITH THE

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MINISTRY WHETHER THERE EXISTS A POSSIBLE SIDE FINANCING AND WISH TO ADVISE YOU AS FOLLOWS:

1) THE KWU HAS IN FACT MADE THE FOLLOWING FINANCING COMMITMENT IN THEIR OFFER:

QUOTE: IN ADDITION, WE WILL BE PLEASED AT A LATER STAGE, E.G. 10 YEARS FROM NOW, TO TAKE STEPS AIMING AT A MODIFICATION OF THE FINANCING PACKAGE IN THE SENSE THAT YOUR CASH OUTFLOW FOR THE REPAYMENT OF THE LOAN WILL BE STRETCHED OVER AN EVEN LONGER PERIOD OF TIME, E.G. 3 MORE YEARS. UNQUOTE

2) NEITHER KWU NOR ANY OF ITS AFFILIATES HAS MADE, OR HAS ANY INTENTION OF MAKING, ANY KIND OF COMMITMENT TO SUPPORT THE ADDITIONAL FINANCING; ANY SUCH ADDITIONAL FINANCING WOULD BE RAISED ENTIRELY ON THE STRENGTH OF THE BORROWER.

3) A SIGNED AGREEMENT BETWEEN THE MINISTRY OF ECONOMY AND KWU CLEARLY AND SPECIFICALLY STATES THAT HERMES' COVERAGE TO KWU WOULD BE NULL AND VOID IF KWU DEVIATES FROM THE DECLARATION UNDER NUMBER 2.

4) ANY SIDE FINANCING ALONG THE LINES OF THE ABOVE COMMITMENTS WOULD NOT BE COVERED BY THE GOVERNMENT OR KWU.

5) FROM OUR POINT, WE HAVE NO OBJECTIONS TO YOUR
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REVEALING THE CONTENTS OF THIS TELEX TO THIRD PARTIES IN ORDER TO AVOID MISUNDERSTANDINGS."

2. EXIM URGES EMBASSY TO PRESENT HERMES TELEX TO KECO AND ADVISE REACTION. VANCE

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